



Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact support@jstor.org.

BULGARIAN INDEPENDENCE *

PUBLIC DOMAIN. VAKOUFS AND TEVLITS

[Being the fifth part of a series of Studies on the Eastern Question. The preceding parts appeared in the January, April and July numbers of the Journal for 1911, and the January number for 1912.]

From the foregoing explanations, it will be seen that in the Turko-Bulgarian arrangement relative to the question of independence, less care was taken in regulating according to juridical principles the transmission of the attributes of sovereignty than in an effort to reach a financial compromise capable of conciliating opposing interests. We have in particular considered the property of the public domain as a real property for which the emancipated State must refund the accumulated outlay. This is a curious idea for our times, when we have lost the habit of looking at the public power in the light of patrimoniality. But this conception is self-explanatory, if we but remember that we are in the Orient, in Turkish territory where the coining of the attributes of sovereignty has always been the rule, where the principles of the Middle Ages have survived longer than anywhere else. And these conditions are self-explaining if we think of the persisting uncertainty of the nature and the real meaning both of the Treaty of Berlin and of the union of 1885 regarding Bulgaria and Rumelia. From all these conditions, there issues an impression of indecision and of archaism.

This impression is further accentuated by Art. 3 of the protocol of St. Petersburg:

The sum of 5 million Turkish pounds * * * due to the Imperial Ottoman Government represents * * * for another 40 million the 310 kilometers of Eastern Railways situated in Eastern Rumelia and seized by the Bulgarian Government * * * and for forty-three million francs the equivalent in value for the properties of the domain of the Ottoman state, situated in Eastern Rumelia and in Bulgaria.

* Translated from the French by courtesy of Dr. Theodore Henckels of Washington, D. C.

What does all this refer to? Properties of the private domain of the Turkish State left in possession of the Bulgarian State? Search for them would be in vain, particularly in the Northern Balkans. Does it refer to the properties of the public domain? Turkey in that case would be reimbursable for the construction of highways, canals, public works of every description she might have built before the Treaty of Berlin. Can it be meant to illustrate in the extreme the development of the patrimonial conception of the public domain? In reality, these dispositions in disguised form dispose for a certain sum of money of the rights which the Sultan thought he still had over the two Bulgarias, another patrimonial conception of the rights of sovereignty and of suzerainty, but especially a political transaction stripped of all juridical meaning.¹

Vakoufs and Tevliets. — A last question is that relating to “*vakoufs*,” to which we referred incidentally in connection with the religious situation. “*Vakoufs*” ordinarily means religious Mussulman establishments; but there were several kinds of *vakoufs*, and some had a social and economic aim rather than a religious one. Sometimes they comprise another institution of feudal origin, called “*tevliets*” or “*vakoufs mustesna*,” in which the religious feature is only accessory. Moreover, they are not public, but private establishments.

According to the terms of Article XII of the Treaty of Berlin, a Turko-Bulgarian Commission, within two years’ time was to settle all matters regarding the manner of transferring or operating on behalf of the Sublime Porte the property of the State and of religious establishments (*vakoufs*), as well as all matters relating to the interests of private individuals who might be connected with them.

In order to understand what *vakoufs* are we will suppose that in Bulgaria, under Turkish rule, an individual built a mosk, or disposed of part of his property, either by donation or by request, to maintain a mosk, school, or charitable institution. At his death, we will suppose,

¹ We will be all the more convinced of this, if we will remember that in the Austro-Turkish convention relating to Bosnia and Herzegovina an analogous disposition disguises in the same manner the conveyance for a lump sum, purely nominal rights of sovereignty which the Treaty of Berlin in recognizing the Austrian occupation, had reserved to the Sultan just for the sake of form.

he leaves property, houses, shops, for the purpose stated above, specifying that part of the revenue, one-fifth, or one-eighth, for example, shall revert to executors of his will, members of his family, or to their descendants. A part of this revenue reverts likewise to the administration of the vakoufs, with headquarters at Constantinople. The property disposed of in this manner, as well as the religious establishments themselves, are withdrawn from the commercial world.

What will happen on the day of independence? The majority of the Turks or Ottomans emigrate, and neglecting to avail themselves of the first paragraph of Article XII of the Treaty of Berlin, sell their property, sometimes even property set aside for religious establishments, in spite of the prescriptions of the law of Chériat. Infidel legatees appropriate unto themselves the whole of the endowments. The property of the vakoufs is at times confiscated for the needs of the public service. Mosks and schools fall into ruins, become useless; nobody to take care of them, nor funds to maintain them.² As for the property devised for certain specific purposes, what has not been sold has disappeared. The question arises, how the Turkish Government in the name of the vakoufs ministry, and the beneficiaries of the founders or testamentary executors will, after thirty years, bolster up their claims and produce their titles of ownership?

Regarding the "teвлиets," the situation is even more confused. Their origin dates back to the feudal system of the Turkish conquest, to concessions which the government at Constantinople granted to certain pachas as reward for services rendered, to certain rights of titles granted to several villages for furnishing troops or service in time of war. Certain State lands or vakouf properties were granted them also. The grantee, in return, had to have certain public works executed, keep up the roads, dig wells, etc. He attended to these things through forced

² At Philippopoli, where nevertheless from 5,000 to 6,000 Turks have remained, the mosks have organized membership except in certain quarters of the city; in the rest the Mussulmans themselves request the civil authorities to admit them to the Christian worship rather than leave them adrift. At Sofia a lone mosk has been kept open to worship for about twenty families, not Turks, but Mussulman gypsies, so poor that the government provides the funds necessary to maintain the monument. St. Sophia is in ruins, another mosk has been converted into a museum, and another has been rebuilt into a church.

labor. These tithes rights disappeared with the emancipation. But the owners or their beneficiaries have continually presented their rightful claims and bestirred themselves anew at the time of the Turko-Bulgarian negotiations. They claim to have the right to demand an annual allowance equivalent to the total amount of tithes. Without refusing to listen to their claims, the Bulgarian Government has constantly presented a plea of inability difficult to overcome. It asked for the original titles, for firmans several centuries old, or asked them to fulfill the pledges demanded by the original titles. "Forced labor" has gone out of commission, and the expenses connected with the performance of the public service would by far outweigh the total of the tithes. In Rumelia many have surrendered their rights for ridiculous sums. But others still, or their representatives, have taken their claims to Constantinople and succeeded in winning members of Parliament and the government over to their side. The Turkish plenipotentiaries were ordered to reach a compromise on the subject; but the Bulgarian Government standing by its former decisions thought that these private claims should be taken to court and the genuineness of the titles proven. It should be noted that the Turkish claims, according to a list made from the registers at the vakoufs ministry, amounted to the fantastic sum of six hundred million francs.

The Bulgarian plenipotentiaries, though desirous to show themselves conciliatory, could not undertake to discuss any such pretensions. At the most they might have been willing to capitalize a sum of about sixty thousand francs, carried on the budget of the principality of 1886, representing annuities that the Rumelian Government paid to certain owners of *tevliets* the validity of whose titles it had recognized. This capitalization might have amounted to one million francs. It was impossible to agree. A waiting policy was adopted, which, by making it possible to give careful attention to individual claims, settled definitely the question from the diplomatic point of view. According to the terms of Article 2 of the Turko-Bulgarian protocol:

Regarding the vakoufs *mustesna*, the Bulgarian Government shall within three months appoint an administrative commission which will investigate the validity of the claims of interested parties.

Whoever understands the slowness of procedure by administrative commissions and the constant atterminings to which affairs in the Orient are subject will doubt if the beneficiaries of the former owners of *tevllets* will derive much hope from this stipulation.³

As for the *vakoufs*, Articles 7 and 8 of the arrangement annexed to the protocol of Constantinople are intended to prevent in future the removal of those that still exist, and to preserve the rights of the founders (*mutevellis*) or of their beneficiaries.⁴

The Bulgarian Government may well feel elated over this solution of the question. It is sovereign judge of all claims which may be presented. It has been freed of the vestiges of an important mortmain, and every possible pretext for diplomatic intervention on the part of the Turkish Government has been removed.

We have thus surveyed the cycle of ancient servitudes which burdened the economic life of the Bulgarian people; but we still have to examine the financial obligations, lighter, of course, than formerly, that still rest upon them.

³ As a matter of fact, up to the present time, the commission has held no meeting.

⁴ These articles read as follows:

"Art. 7. — Great care shall be exercised to keep in good condition all *vakoufs* property situated in Bulgaria. No edifice for worship or of charity may be torn down except for imperious need and in accordance with the laws and regulations in force. In case a *vakouf* edifice is to be expropriated for imperious reason, this can be done only after another location shall have been designated of the same value with respect to the place where it is situated and after full payment of the value of the building. The amounts to be paid as price for *vakoufs* property appropriated for imperious reason shall be entirely devoted to the maintenance of *vakoufs* property situated in Bulgaria and to the construction of other religious establishments in localities where the need of such establishments may be felt. The chief mufti is charged with the control of the accounts relating thereto and to prevent mismanagement of the funds.

"Art. 8. — Within six months after the signing of this document, a special Commission, of which the chief mufti shall by right be a member, shall be appointed by the Bulgarian government; the object of this Commission shall be, within three years of the date of its organization, to examine and verify all claims presented up to the present time by the *mutevellis* or their beneficiaries. Those interested who are not agreeable to the decisions of the Commission may appeal to the competent court of the country."

FINANCIAL MATTERS

1. *Tribute and contributive taxes.*—We have seen already why the tribute due by Bulgaria to Turkey, in virtue of Article IX of the Treaty of Berlin, was to be considered as a mark of vassality; but, in this particular respect as well as in many others, the tie of vassality had slackened long before the declaration of independence, for the tribute was never paid; and here is the reason: this fetter was not the only one which the Treaty of Berlin meant to impose upon the finances of the new State. Let us look for a moment at Article IX, which contains the gist of the entire matter:

The amount of the annual tribute which the Bulgarian principality shall pay to the suzerain court and to be deposited into a bank that the Sublime Porte will subsequently designate, shall be determined by agreement between the Powers signatory to the present treaty at the expiration of the first year of the operation of the new organization. This tribute shall be based upon the average revenue of the territory of the principality.—Since Bulgaria is to bear part of the public debt of the Empire, when the Powers shall determine the amount of the tribute, they will consider part of this debt that might be attributed to the principality upon the basis of an equitable proportion.

Thus, in virtue of this text, there is a double obligation: 1st, obligation of the tribute relating to vassality; 2nd, obligation relating to a part of the Ottoman public debt.⁵

It is perfectly clear from the protocols of the Congress that the plenipotentiaries were most anxious to guarantee the rights of Turkey's creditors, the holders of bonds of the Ottoman public debt. This was cleverly brought out by Karatheodory Pacha when he remarked that the revenues of the localities composing the new principality had formerly been allotted in a general way to all of Turkey's public debt, and that only a few of these revenues had been deflected in a special manner to the service of certain loans. He, therefore, asked that the tribute be paid partly to the Ottoman Government, while the taxes should be used to satisfy the holders of bonds. The plenipotentiaries representing the holders of bonds, whose activities had manifested themselves through numerous petitions to the Congress, closely watched over the bond-

⁵ *Yellow Book*, Protocol No. 7, pp. 122 *et seq.*

holders' interests and subordinated the tribute question by deciding that the amount of it should be decreased in proportion to the increase of the taxes according to the capacity of the principality. They wished at the same time to guarantee the creditors' rights and to avoid over-taxing the Bulgarian finances.

The plenipotentiaries discussed for some time as regards the tribute and the taxation, the best way of apportioning them: extent of territory, amount of taxes originally paid, average amount of the revenues of the principality. The last item was finally agreed to as a basis on which they would figure out the amount of the tribute; but as for the taxes, they decided to leave this question to be equitably settled by a subsequent agreement; but no subsequent agreement ever took place, for the simple reason that the European governments have had more pressing problems to solve. Inasmuch as the quota of the tribute could not be finally determined until after the question of taxes had been settled, nothing has been accomplished accordingly, and no claims were entered against Bulgaria. Turkey herself lost all interest in the matters since the amortization fund alone would have profited by the respective payments.

Her creditors, however, more directly affected by the depreciation of their securities, demanded adjustment of their claims at two different times.⁶ First, in 1881, on the occasion of the firman of December 20, creating the administrative council of the Ottoman debt, by which the Ottoman Government delegated to its creditors the claims which it held under the two heads of tribute and taxes against Bulgaria, Greece, Serbia, Montenegro, together with the accumulated dues against Eastern Rumelia, declaring at the same time that as long as the Bulgarian tribute was not fixed, it would be replaced by annuities levied upon the tobacco revenue. Having become in this way the direct creditor of Bulgaria, the administrative council of the Ottoman debt urged the Ottoman Government to prod the signatory Powers of the Treaty of

⁶ See Serkis, *La Roumélie orientale*, p. 203. According to the archives of the administrative council of the Ottoman public debt. Cf. Andréadès, *Les obligations financières envers la dette publique ottomane des provinces détachées de l'Empire turc depuis le traité de Berlin*, in the *Revue générale de droit international public*, tome XV (1908), pp. 585 *et seq.*

Berlin to fix the amount of the two sums. A circular note, dated January 15, 1883, was for this purpose addressed to the Turkish representatives in Europe. The cabinet seemed but slightly affected by the activity of the representatives of the Sublime Porte. Austria-Hungary answered that she would adapt her attitude to that of the other Powers; England seemed to take greater interest in the matter, suggesting a mode of computing to determine the portion relating to each of the small co-debtor states. Nothing more came from it.

In consequence of the Rumelian revolution, the Bulgarian Government, when pressed by the administrative council of the debt to meet its obligations, answered that it could not pay tribute to a State that refused to give it full recognition. The bondholders then appealed directly to their respective governments.

Up to the time of the declaration of independence, no annuity had ever been paid. It is difficult to blame Bulgaria for this; it would have been expecting too much to compel her to undertake the task of nearly inextricable computations, when the inaction of the responsible Powers was relieving her budget of an important item. So spake the Bulgarian plenipotentiaries when the Turkish delegates demanded payment of the arrears in tribute and taxes. How determine after a lapse of thirty years the average revenues of the principality in order to fix the tribute, and how provide material for the appreciation of the Powers in order to reach an equitable decision in regard to taxes? Moreover, the Bulgarian plenipotentiaries pleaded absolute inability to meet any demand for indemnification or capitalization: the tribute had never been paid, would never have been paid, hence Turkey did not incur any material prejudice in this respect on account of the declaration of independence. In addition they invoked a kind of prescription covering a period of thirty years, and the example of other Danubian States that had not contributed to the relief of part of Turkey's indebtedness.

Turkey which had in this respect presented a claim amounting to hundreds of millions had to drop it at last. It is true that the arguments of the Bulgarian plenipotentiaries were arguments of fact. Juridically, Turkey might have insisted. It is certain that under the two heads of tribute and taxes, Bulgaria was obligated: all that could be said is that the obligation could not be met; but Turkey might have sug-

gested that it be settled, for prescription does not hold in international public law.⁷

2. *The Rumelian indemnity.*—In consequence of an explainable confusion, the public may have thought that Bulgaria had consented to indemnify Turkey because of the suppression of the tribute. The plenipotentiaries have in effect consented to pay an indemnity, but relating to the contribution, which, falsely termed tribute, has been paid by Rumelia, and not to the tribute correlative to vassality which had been imposed upon primitive Bulgaria.

The origin of this obligation is deserving of some explanation. The European Commission charged by the Berlin Congress with the organization of Rumelia was to determine her financial policy. It decided that the province should pay to the Porte a rent calculated upon her average revenues for the last four years. These revenues were estimated at eight hundred thousand Turkish pounds, and the rent fixed for the following five years at three-tenths of that sum, or two hundred and forty thousand Turkish pounds.⁸

But Eastern Rumelia had been, if not nearly ruined, severely stricken by the war. It was soon realized that an estimate of her revenues calculated upon the years preceding the war no longer corresponded to what they had been. The collection of taxes was, moreover, becoming very difficult, in consequence of the transformation of the Turkish tithe into land-tax, decreed by the commission, and also because of the

⁷ With particular reference to the matter of taxes, we will merely remark that the Berlin plenipotentiaries thought that this burden was *by right* incumbent upon Bulgaria by the mere fact of separation. It has been for a long time an uncontested opinion in spite of its debatable character, that in the case of dismemberment a quota of the debt of the dismembered state falls *ipso facto* upon the newly created state. This means a transposition of private into public law coming from the theory attached to inheritances, but which in our judgment is juridically false. There is no inheritance in the matter of sovereignty, but substitution: this the Bulgarian plenipotentiaries could have invoked. But it might have been answered that it is always possible to derogate conventionally to strict juridical principles; that, moreover, there had not been substitution, since Bulgaria in theory had not ceased to be part of the Ottoman Empire. They might then in their turn have demonstrated that suzerainty is not the same as sovereignty, and contended that Bulgaria in this respect had really not contracted a conventional engagement. But it is unnecessary to remark that these theoretic controversies were not brought forward.

⁸ Minutes of the Commission, No. 49, and Organic regulations, Chapter I, Art. 16.

scarcity of specie. In consequence, in 1882, the Provincial Assembly resolved that in future the proportion of three-tenths should not be applied to the supposed average revenues, but upon the actual revenues of the province. The net actual revenues were estimated at six hundred thousand Turkish pounds, and the annuity at one hundred and sixty thousand pounds for a quinquennial period of years beginning March 1, 1883.

The administrative council of the Ottoman debt, to which, as we have stated, these revenues had been applied, protested, maintaining that the province had been taxed on its gross revenues and in a definitive way. The Government at Constantinople affixed its veto to the Rumelian law, but the Ottoman Bank, preferring to cash the sum fixed by the Provincial Assembly rather than find itself deprived of any income whatever, concluded with the latter a convention on the basis of the one hundred and eighty thousand pounds, an agreement against which the Ottoman Government did not protest.

At the time of the Philippopoli revolution considerable arrears were due upon this sum; and besides, the Bulgarian Government endeavored to escape from the new burdens that the union imposed upon her. Not until three full years had passed by did the administrative council of the Ottoman debt succeed in having its rights duly recognized. In 1887, a law, confirmed by princely rescript of December 17, ratified an arrangement entered into between the Bulgarian Government and the administrative council of the Ottoman debt according to which Bulgaria was to pay annually one hundred and fifty-two thousand Turkish pounds. This amount has been paid regularly up to the time of the declaration of independence; it appeared even in the budget of 1908.

Every monthly instalment under these two heads has in effect been intercepted at the Bulgarian National Bank from the day of the declaration of independence. The Bulgarian Government has wished to emphasize that from that day, every official bond between the Ottoman Government and its ancient province had been severed. This payment had indeed been the last vestige of the union, the last official obstacle to the fusion of the two Bulgarias into one State. The indemnification was arrived at on the basis of the capitalized annual payments. In

strictness the Ottoman Government could have demanded that it should be calculated on the basis adopted in 1879 by the European Commission, for the conventions of 1883 and 1887 between the administrative council of the Ottoman debt and the Rumelian and Bulgarian Governments being so far as the Ottoman Government is concerned *res inter alios acta*, but this pretension, juridical though it be, had not a chance of being received by the Bulgarian plenipotentiaries, who interpreted the silence of the Porte as a tacit approval of the arrangements made with her delegated creditors. The Government at Constantinople was in this manner compelled to accept the capitalization on the basis of ninety-nine years, making in round numbers forty million francs.⁹

3. *The Russian loans.* — To free herself gradually from the political and economic shackles that were binding her, Bulgaria had, therefore, to make heavy pecuniary sacrifices; she did not hesitate to settle the cost of her independence for a hundred million francs.

In reading Article 3 of the Russo-Turkish protocol of March 3, 1909,¹⁰ where we find the several indemnities paid to Turkey enu-

⁹ See Article 3 of the protocol of St. Petersburg, and Article 1 of the protocol of Constantinople.

¹⁰ The full text of the protocol, preamble and preface of the Turko-Bulgarian protocol follows:

The Imperial Russian Government being desirous of assuring to the Imperial Ottoman Government the sum of 125 million francs in settlement of all claims of the Sublime Porte against Bulgaria, the following agreement has been entered into:

ARTICLE 1. — In view of permitting the Sublime Porte to realize the sum of 125 million francs the Russian Government remits to Turkey fully and finally 40 of the 74 outstanding annuities due Russia on account of the war indemnity fixed by the treaty of Jan. 27/Feb. 8, 1879, and by the convention of May 2/14, 1882; the Imperial Ottoman Government having settled all annuities due on account of the war indemnity up to Dec. 31, 1908, said remission shall enter in force beginning Jan. 1, 1909.

ARTICLE 2. — The Imperial Ottoman Government shall have the right until July 1 to capitalize the 34 annuities outstanding over and above the 40 annuities remitted by Russia by appraising these annuities at their actual value at the rate of four per cent. par. — In case the Imperial Ottoman Government does not avail itself of this privilege, it shall have the same privilege at the expiration of the 40th year, capitalization at this date to be calculated at the rate of the then credit of the Ottoman Empire as shall be established by agreement between the two governments.

ARTICLE 3. — The sum of five and a half million Turkish pounds, or 125 million francs accruing to the Imperial Ottoman Empire represents by 40 million francs the obligation of Eastern Rumelia, and by another 40 million francs the 310 kilometers

merated, it would seem that it rose above one hundred million francs, for it reads as follows:

The sum of five and a half million Turkish pounds, or 125 million francs, accruing to the Imperial Ottoman Empire represents by 40 million francs the obligation of Eastern Rumelia, and by another 40 million francs the 130 kilometers of Eastern Railways situated in Eastern Rumelia and seized by the Bulgarian Government, by 2 million francs the cost and the arrears of rent of the Bélova-Vakarel line, and by 43 million francs the equivalent in value of the properties of the domain of the Ottoman state, situated in Eastern Rumelia and in Bulgaria;

to which must still be added all sums promised for posts and telegraphs, sanitary service, and the immediate debts of Bulgaria due the Eastern Railway Company, according to Articles 3-7 of the protocol of Constantinople.

Nevertheless, by a curious and clever financial combination, the Russian Government has shouldered a goodly portion of the Bul-

of Eastern Railways situated in Eastern Rumelia and seized by the Bulgarian Government, by 2 million francs the cost and the arrears of rent of the Bélova-Vakarel line, and by 43 million francs the equivalent in value of the properties of the domain of the Ottoman state, situated in Eastern Rumelia and in Bulgaria. The Imperial Ottoman Government, in consequence, renounces its rights derived from Article 9 of the Treaty of Berlin, the Bulgarian tribute, the contributive Bulgarian taxes to the public debt of the Empire, and also its rights to arrears of the Eastern Rumelian obligation as determined by the Organic Regulation and annexures thereto. — The Bulgarian Government shall pay interest at 5 per cent. upon the 40 million francs of the Rumelian obligation beginning September 22/October 5, 1908, until the ratification of the protocol.

ARTICLE 4. — The Bulgarian Government renouncing, by a declaration signed simultaneously with the present arrangement, all claims under the terms of paragraph 1, of Article 10 of the Treaty of Berlin relating to the Roustchouk-Varna railway, the Ottoman Government will make note of said declaration.

ARTICLE 5. — It is agreed that the questions and claims regarding vakoufs and religious communities, posts and telegraphs, lighthouses and sanitary administration are entirely excluded and shall form the subject of a direct agreement between the Imperial Ottoman Government and Bulgaria. — It is also agreed that the immediate debts of Bulgaria due to the Eastern Railway Company, resulting from rolling stock and material seized, etc., and the operating indemnity are excluded from the present arrangement.

Signed: *ad referendum*,

ISWOLSKY.

ST. PETERSBURG, *March 3, 1909.*

Signed: *ad referendum*,

RIFAAT.

garian obligations, about forty million francs, which Turkey receives directly from her.

To understand the mechanism of the combination, we should remember that Turkey, creditor of Bulgaria, was indebted to Russia, since the war of 1878, for a considerable indemnity the payments of which were graduated over a period of ninety-nine years. But, it happened that about the end of 1908, the Turko-Bulgarian negotiations regarding the recognition of independence were, so to say, paralyzed. The Malinoff cabinet, by its reiterated declarations, had affirmed that the country was not in condition to submit to enormous sacrifices. It wound up its declarations with an offer of a lump sum of eighty-two million francs which it thought sufficed amply to indemnify Turkey for what it termed "material prejudices" that independence had brought to Turkey, and also the Eastern Railway Company for the annulment of its concessions. The Turkish Government, on the other hand, after having abandoned the exorbitant demands which it had presented at first, amounting to hundreds of millions, refused to accept a sum less than one hundred and twenty-five million francs, declaring its inability to obtain on any other conditions the consent of Parliament and of the company to the desired agreement. The relations between the two countries became strained and the conciliatory moves of the European cabinets seemed inefficacious, when the Government of St. Petersburg intervened. It offered to shoulder itself the forty-three million francs which kept the rival pretensions apart and at the same time to loan Bulgaria the eighty-two million francs necessary to free herself. For this purpose it would remit to Turkey the payment of a certain number of annuities of the war indemnity, enough to make up the one hundred and twenty-five million, from which she declared she would not recede, and the Ottoman Government would take it upon itself to indemnify the Eastern Railway Company.

In consequence of laborious negotiations, the protocol of St. Petersburg adopted the following solution: In order to permit the Sublime Porte to realize the sum of one hundred and twenty-five million francs, the Russian Government remits to Turkey fully and formally forty annuity payments of the seventy-four still outstanding on account of the war indemnity. Moreover, the Ottoman Government, which was

desirous to be completely liberated, should have the right until July 1, 1909, to capitalize the remaining thirty-four annual payments, calculating these payments on their actual value, at the rate of four per cent. par. The Russian protocol assumed upon itself acceptance by Bulgaria, and left to her the settling of minor debts relating to posts, telegraphs, lighthouses, etc. Seizing eagerly this unhopd for opportunity of ridding herself of a situation which was becoming inextricable, Bulgaria readily accepted the stipulations of the St. Petersburg protocol.¹¹ Turkey, which thanks to the capitalization of the war annuities, found her budget in this manner lightened by a sum by far inferior to the total of the indemnity, was able to release the revenues which guaranteed the payment of this indemnity, and to offer them as pledge to the lenders with whom she has negotiated a new loan, designed not only to indemnify the Eastern Railway Company for a sum of nineteen million francs, but to furnish it with the necessary funds for its administrative and political reorganization.¹²

If we calculate upon the data furnished by the Russo-Turkish protocol, we find that the Turkish Government receives not one hundred and twenty-five, but one hundred and twenty-nine and a half million francs. The four and a half additional million which it has received have served to organize a syndicate for the purpose of indemnifying the company, and to meet the expenses of the loan. To arrive at these one hundred and twenty-nine and a half million, it was necessary we said to capitalize interest and principal of forty annuities of seven and a half million each, making a total of three hundred and two million francs by which the amount due to Russia is at present diminished.

Russia had now to come to an understanding with Bulgaria for the partial reimbursement of her quitclaim to Turkey. This led to an arrangement of April 6, 1909, negotiated at St. Petersburg between M. Iswolsky and the Bulgarian Secretaries Sallabacheff and Paprikoff.¹³

¹¹ *Vide*, Article 1 of the Turko-Bulgarian protocol.

¹² The loan is for 7 million Turkish pounds, 4 per cent. interest, 1 per cent. amortization. *Vide*, *Le Temps*, Sept. 7, 1909.

¹³ The text of this convention follows:

The Imperial Russian Government having settled through the Russo-Turkish protocol of March 3, 1909, the Bulgarian obligations to Turkey arising from the

The Bulgarian Government acknowledges its indebtedness to Russia for the total sum of eighty-two million francs; it pledges itself to pay interest at the rate of four and three-quarters per cent. Amortization is to be effected in seventy-five years. Capital and interest thus amount to a little more than four million francs per year, but Bulgaria has the right to amortize sooner, to settle the entire debt whenever she desires to do so.

The advantages accruing to Bulgaria under this financial combination are self-evident. Not only has she been able to rid herself of her indebtedness to Turkey at an un hoped-for price, but she was enabled to obtain the money necessary for the purpose on the most advantageous conditions. And lastly, it may be added, Bulgaria liberated herself by means of a written instrument, instead of being obliged to borrow cash which she would have had to pay into the Ottoman treasury.

The Tsar's government has made a sacrifice; this is undeniable. Yet, it benefits by an anticipatory arrangement, and acquires a more solvent debtor. The payments of the war annuities had been irregular and the future solvency of the Ottoman Empire remains more or less problem-

Bulgarian declaration of independence and the seizure of the Eastern Railways by the Bulgarian Government, the following agreement has been concluded:

ARTICLE 1.—The Royal Bulgarian Government, in view of the definitive settlement of the financial claims of Turkey consigned in the protocol mentioned hereafter, hereby recognizes its indebtedness to the Imperial Russian Government in the sum of 82 million francs.

ARTICLE 2.—The Royal Bulgarian Government guarantees to acquit itself of this indebtedness in 75 years at $4\frac{3}{4}$ per cent. interest, constituting an annuity (interest and amortization) of 4,025,600 francs payable in equal semi-annual instalments on April 1 and Oct. 1. The first payment shall be made Oct. 1, 1909. The Imperial Russian Government shall receive interest beginning with the date of the recognition of Bulgarian independence by Turkey.—It is agreed that the Royal Bulgarian Government, the case occurring, shall pay a monthly interest of one half per cent. on all arrears.

ARTICLE 3.—The Royal Bulgarian Government has the right, at any time it may choose to do so, to liberate itself of the entire present indebtedness by paying the entire amount of the indebtedness left to be amortized.

ARTICLE 4:—All payments referred to in the present protocol shall be effected in francs, at Paris, to the order of the Imperial Russian Bank.

ST. PETERSBURG, *April 6, 1909.*

Ad referendum: S. PAPRIKOFF

IVAN SALLABACHEFF

Ad referendum:

ISWOLSKY.

atic. On the contrary, there can be no doubt about the regular payment of the annuities of the Bulgarian loan.

Occupation indemnity. — The obligation which Bulgaria has thus contracted is, however, not the only one she bears toward Russia. The treaty of Berlin, in Article XXII, specifies ¹⁴ that the Russian army of occupation in Bulgaria and in Eastern Rumelia shall be maintained at the expense of the country occupied. On this account, Russia became the principality's creditor for twenty-four million francs, and creditor of the province for the sum of twenty-seven million francs. The occupation indemnity due by Bulgaria was paid almost regularly; the last payments were made about three months ago. But the Rumelian indemnity is still unliquidated.¹⁵

4. *Loans and control.* — The financial independence of Bulgaria is elsewhere more seriously threatened.

Owing to her weak credit in the financial markets of the world and the onerous terms accepted by her upon the conclusion of her loans, there has arisen a kind of controlling institution which affects more her national pride than it does weigh upon her political liberty. Viewed from this angle, we may not say, however that the Bulgarian financial situation is as bad as that of Greece or of Egypt.

¹⁴ Article XII reads as follows: "The effective Russian army of occupation in Bulgaria and in Eastern Rumelia shall be composed of six divisions of infantry, and two divisions of cavalry, and shall not exceed 50,000 men. It shall be maintained at the expense of the country occupied."

¹⁵ In 1879, at the time of the first meeting of the provincial assembly at Philippopoli, Prince Tzarétéleff, Russian Consul-General, declared in the name of the Russian Emperor that, inasmuch as Rumelia had, more than any other country, suffered from the ravages of war and of famine, the Russian Government would not insist upon any regular annuity payments, and would not demand interest on arrears. In effect, the Russian Government has let these arrears accumulate and for a time it was thought that the Russian Government had remitted its claim. In reality, however, it has repeatedly urged settlement of the claim, and its reminders have at times been pressed home, in threatening manner, designed to weigh on the political conduct of the debtor. It acted in this manner toward the provincial government when Aleko Pacha refused to renew the contract of the sixty Russian officers in the service of the Rumelian militia. Since 1895 demands for payment of arrears have been made three times, under the cabinets of Stoïtoff, Rodoslavoff and Daneff, but no agreement could be reached regarding the terms of payment.

This experience should suffice, and the Bulgarian Government avoid delay in paying the instalments relating to the new loan which it has contracted in Russia.

The Bulgarian Government having always honored its legitimate obligations, no foreign Power has interfered with the administration of her finances. This is a matter for congratulation, for, financial interferences rightly irritate the national susceptibility of the people, and in an indirect but real fashion deprive the government which allows such imposition, of every freedom of pacific or military action.

Particularly sensitive in Bulgaria, would national honor have borne with financial intervention? We have reason to doubt it, if we only remember that Bulgarian public opinion does not look with favor upon the partial and withal private control which those banks that represent the bondholders have thought necessary to exercise in their behalf. The organization of this control dates back to 1902. Once before, the money lenders had taken some precautionary measures. In 1888, at the time of the repurchase of the Roustchouk-Varna Railway, the Bulgarian Government had guaranteed by the State revenues the payment of the annuities of the loan of forty-four and a half million francs necessitated by this operation. But this general guarantee, whose enforcement was not effectively organized, in no way diminished her freedom of action.¹⁶ In a loan of thirty million francs, negotiated in 1889, the Bulgarian Government had given as guarantee a first mortgage on the Tzaribrod-Sofia-Vakarel and Yamboli-Bourgas Railways. If payment of the coupons was delayed six months, the bondholders were to have the right to take over the operating of the railways, and at the end of two years to proceed to their sale (Art. 4).

Up to this point there is no great obstacle to the government's freedom of action; the pledge is represented by the works themselves that make the loan necessary. But with the loan at five per cent. in gold, 1902, we behold the new factor. The loan is guaranteed in the first place by the tax on *bandrols*, that is to say, upon the product of their sale to tobacco and cigar merchants of small bands of paper wound around boxes or packages; secondly, it is guaranteed by the tax on the *Mourourié*, or tax on the cultivation and sale of tobaccos. Now, the system adopted for the guarantee of this loan creates a representative of the bondholders appointed by the banks that put these

¹⁶ *Vide*, Article 6, of the loan contract, repaid in full to-day. State of the Public Debt, Ministry of Finance, 1908 (printed in Bulgarian).

bonds in circulation. This representative exercises all the rights and actions of the bondholders (Art. 34); he occupies a high financial and social position, justified, moreover, by his personality.¹⁷ The Bulgarian Government pays the sum of seventy-five thousand francs for his salary and that of his employés and assistants. He must take care to insure the quarters set aside for his habitation and work (Art. 35). Although private establishments name the delegate, and although he represents private individuals, yet because the great majority of the bonds are held by Frenchmen, he maintains semi-official relations with the French legation. It is through the medium of the French minister-resident that the appointment of this delegate is signified to the Bulgarian Government. For this reason, the delegate, though he is not the financial agent of a foreign government, is nevertheless to some extent a certain international personality which makes of him a little more than the agent of private institutions. He exercises, moreover, certain powers which have really to do with public order, and his effect upon the Bulgarian Government is evident. It is he who has supervision over the manufacture and sale of the bandrols. Assisted by a government commissioner, who is the intermediary between him and the Bulgarian authorities, with which he often deals directly, he orders the manufacture of the bandrols in France, locks them in a secure place to which there are two keys, one of which he himself keeps and the other he turns over to the governmental delegate. He hands out these bandrols only for cash; one hundred thousand francs at a time at least, seven hundred thousand francs per month at least. If the purchase of bandrols does not equal the semestrial amount of the annuities, then the Bulgarian Government must make up the balance with cash, and the delegate forwards the amounts received regularly to the Bank of Paris and of The Netherlands. A special report regarding the revenue of the taxes on the Mourourié, subsidiary guarantee of the loan, must be communicated to him. Such is the field of his material activity. But these are not the only obligations of the Bulgarian Government.

In order to avoid fluctuation of the exchange, so that the bondholders may not sustain losses on remittances made to Paris through

¹⁷ This delegate is our very distinguished compatriot, M. Bousquet, honorary State-Councillor, to whose publications we have often had occasion to refer.

the medium of the delegate, the Bulgarian State, during the period of the loan, is forbidden to modify any of the laws that regulate the fiduciary circulation of the Bulgarian National Bank, and forbidden to mint silver coin except upon agreement to this effect with the delegate. It also agrees not to issue any new fiduciary notes without his authorization (Art. 25). Likewise, it agrees, in order not to affect the guarantee of its creditors, not to change either the basis or the mode of collection of the loans hypothecated. Lastly, it pledges itself (Art. 34), but for a period of two years only, to float no other loan, nor to guarantee any loan (for instance, of its public institutions) without the authorization — that means really without the participation — of the united banks. Surrendering the right to modify the taxation laws, the fiduciary circulation, to borrow money, and all this power in the hands of a semi-official personage, does not that mean a real diminution of the government's financial independence? There is an exception, in case there should be war; but in ordinary times, the fact is significant.¹⁸

There is little probability that Bulgaria will soon be able to free herself from this control. The loan contracts do indeed stipulate that she may anticipate reimbursements; but this hope seems chimerical, for she was really not thinking of refunding the millions of this debt, if it is not through conversion, that is to say, through a new loan whose conditions could scarcely be less onerous. The loan of 1902, interest and amortization, was to run until 1953; that of 1904 admits of amortization in fifty years, that of 1907 in sixty years, which means that economic servitude which weighs on Bulgaria very likely will continue for another half century.

At the present time the unredeemed part of the floating debt (fifty million francs in the least), expenses necessitated by military measures taken in the course of the recent crisis, contracts made by the Govern-

¹⁸ A new loan, at 5 per cent., was guaranteed in 1904, as the last mentioned, by the excess of the bandrol and Mourourié taxes, and in addition by the stamp duty, which, in its turn, has been legislatively and economically immobilized. Lastly, still another loan, 4½ per cent., in gold, 1907, touches in part the revenue of the Mourourié tax. The privilege of the united banks regarding the floating of new loans was, in virtue of this new contract, to run until April, 1909. The Bulgarian Government has but just liberated itself from that shackle.

ment relating to public works, and, in particular, the railways, have made necessary a new loan of one hundred million francs, which was placed in Austria and in Switzerland, for the reason that negotiations for it failed in Paris, owing to the repugnance felt by the Bulgarian Government to offer new securities.

GEORGES SCELLE.